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## Nigeria

### Oilseeds and Products

### Annual

### 2005

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**Report Highlights:**

According to unofficial sources, Nigeria continued to import bulk vegetable oil in MY 2004 despite the import ban. Since MY 2004 production was up slightly, imports are estimated at 240,000 tons, down from last year's shortfall of 300,000 tons. Major suppliers are allegedly Malaysia and Indonesia. Local prices remained artificially high despite the GON's decision to allow duty-free imports of palm kernel from the West African sub-region. Local soap manufacturers are turning to tallow. Market opportunities exist for more than 50,000 tons of inedible tallow and about 10,000 tons of branded, consumer-ready vegetable oil.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
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### Executive Summary

Overall, Nigeria's domestic vegetable oil production in MY2004 increased modestly by eight percent to 1.3 million tons, but continues to lag behind national consumption requirements, which is estimated at 1.6 million tons. Despite the shortfall in local production, the Government of Nigeria (GON) continues to implement an import ban on bulk vegetable oil. An estimated 240,000 tons of bulk vegetable oil (200,000 tons of palm oil and 40,000 tons of vegetable oil) were smuggled into the country in MY2004. This figure would have been significantly higher if not for the imports of palm kernel by the oil crushers. According to industry sources, vegetable oil processors in the country imported an estimated 35,000 tons of palm kernel from Ivory Coast in CY2004. The importation of palm kernel, coupled with the modest increase in local production had a downward impact on prices of all palm products during the year.

### Nigeria's Vegetable Oil Profile

Commodity	Quantity	Percentage share
Palm oil	790,000	50
Palm Kernel oil	270,000	17
Other Vegetable oil	240,000	15
Deficit/Imports	300,000	18
<b>National Requirement</b>	<b>1,600,000</b>	<b>100</b>

About 50 percent of Nigeria's overall vegetable oil requirement is met from the processing of oil palm fresh fruit bunches into red palm oil and into palm Olein. An additional 17 percent is derived from crushing palm kernel into palm kernel oil. Other oilseeds produced in the country include peanut, cottonseed and soybeans. Together, these other oilseeds account for approximately 15 percent of national vegetable oil consumption. The remaining 18 percent of Nigeria's total vegetable oil demand is met by imports.

Exchange Rate: 130 Naira = 1 US\$

## PSD Table: Oil Palm

Nigeria Oil, Palm							
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		10/2003		10/2004		10/2005	MM/YYYY
Area Planted	2710	2710	2710	2710	0	2710	(1000 HA)
Area Harvested	2630	2630	2630	2630	0	2630	(1000 HA)
Trees	280000	280100	280000	280100	0	280100	(1000 TREES)
Beginning Stocks	20	20	20	20	20	20	(1000 MT)
Production	780	780	800	790	0	800	(1000 MT)
MY Imports	126	126	200	200	0	200	(1000 MT)
MY Imp. from U.S.	0	0	0	0	0	0	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	926	926	1020	1010	20	1020	(1000 MT)
MY Exports	0	0	0	0	0	0	(1000 MT)
MY Exp. to the EC	0	0	0	0	0	0	(1000 MT)
Industrial Dom. Consum	161	161	180	180	0	180	(1000 MT)
Food Use Dom. Consump.	745	745	820	810	0	820	(1000 MT)
Feed Waste Consumption	0	0	0	0	0	0	(1000 MT)
TOTAL Dom. Consumption	906	906	1000	990	0	1000	(1000 MT)
Ending Stocks	20	20	20	20	0	20	(1000 MT)
TOTAL DISTRIBUTION	926	926	1020	1010	0	1020	(1000 MT)
Calendar Year Imports	271	271	271	271	0	200	(1000 MT)
Calendar Yr Imp. U.S.	0	0	0	0	0	0	(1000 MT)
Calendar Year Exports	0	0	0	0	0	0	(1000 MT)
Calndr Yr Exp. to U.S.	0	0	0	0	0	0	(1000 MT)

## Prices Table: Palm Oil

# Prices Table

Country Nigeria

Commodity Oil, Palm

Prices in Naira per uom

Ton

Year	2003	2004	% Change
Jan	127,000	135,000	6%
Feb	109,000	136,000	25%
Mar	103,000	106,000	3%
Apr	104,000	103,000	-1%
May	112,000	108,000	-4%
Jun	118,000	111,000	-6%
Jul	120,000	114,000	-5%
Aug	132,000	125,000	-5%
Sep	144,000	131,000	-9%
Oct	139,000	129,000	-7%
Nov	139,000	125,000	-10%
Dec	136,000	120,000	-12%

Exchange Rate 130/1 Local Currency/US \$

Date of Quote 1/21/2005 MM/DD/YYYY

## Production

Nigeria's palm oil production in MY2005 is forecast to rise to 800,000 tons, up from the revised 790,000 tons in MY 2004. The projected increase is based on increased smallholder activities in response to Federal and State government incentives and the on-going expansion and rehabilitation of estates. AgOffice field visits revealed that the large estates have embarked on field expansion and out-grower schemes.

Post has revised upwards estimates of palm kernel produced and crushed from 2002 to date to reflect the result of more recent industry study. Palm kernel production has reportedly increased over the past three years, due largely to increased exploitation of wild palms by rural farmers. Apart from the palm kernel obtained from palm oil processing, rural farmers also exploit kernels from un-harvested palm fruits. Attractive producer prices in the last three years have spurred rural farmers to increase palm kernel supply during the period.

Nigeria's oil palm production can be categorized into upstream and downstream sectors.

A. The upstream sector comprises primary production activities, ranging from the development of seedlings to producing red palm oil and palm kernel. This includes palm oil and kernel produced from 2.25 million hectares of wild palm groves, 400,000 hectares of small-scale holdings and 50,000 hectares from large estates.

- Wild groves---Oil palm products from unorganized wild groves is well below optimum due largely to the low efficiency milling techniques used by local farmers. Post notes an increased exploitation of wild palms by rural farmers in the palm belt spurred by attractive producer prices.

- Large estates---AgOffice field visits revealed that three new privately owned estates commenced planting activities in the last two years. Investment in this sector is constrained by heavy capital investment requirements, Nigeria's land tenure system which limits access to large contiguous land hampers plantation agriculture. The relatively long gestation period of 4 years for palm is unattractive to local investors. Yield levels on organized estates tend to be low by international standards due largely to poor rainfall distribution patterns resulting from distinct wet and dry seasons in the palm belt. Average yield per hectare on Nigeria's estates in the last five years is about 14 tons of fresh fruit bunches (ffb) compared to 22 tons per hectare in Southeast Asia.
- Smallholders---Palm production from this sector is on the increase, thanks to support from the government's National Accelerated Industrial Cash Crop Program and the recently announced Presidential Initiative on oil palm development. These programs are designed to encourage increased smallholder planting of improved varieties in order to achieve enhanced rural incomes. Incentives under the program include: reduced customs duties on imported agricultural machinery, distribution of palm seedlings at subsidized rates, and the provision of extension services to farmers.

Overall, Nigeria's upstream oil palm production is expanding at a relatively slow pace and output continues to lag behind national consumption requirements. The slow pace is attributed to poor implementation of government development programs. For instance, the supply of subsidized seedlings is not backed by adequate extension services, often resulting low rate of establishment.

B. Downstream oil palm processing consists of the crushing of palm kernel, the refining of crude palm kernel oil into vegetable oil, and red palm oil into palm oil. Despite excess capacity in the downstream sector, investment is steadily increasing, with two new crushing and refining facilities entering production in CY2004. The increase in investment is due largely to a perception of low capital risk and a quick return on investment. The industry's annual installed palm kernel crushing capacity is estimated at more than 850,000 tons in MY2004, far exceeding total available palm kernel, which is estimated at 670,000 tons. However, the average industrial capacity utilization in this sector increased from about 55 percent in 2003 to about 70 percent in 2004. Industry sources attribute the increase in the utilized capacity to imports of about 35,000 tons of palm kernel from Ivory Coast during CY2004. The impact of the palm kernel imports is reflected in the lower prices of all oil palm products in 2004 (see price tables). The monthly average prices of palm oil used in this report have been revised to reflect new and more reliable data series.

### Consumption

The bulk of vegetable oil produced in Nigeria is for direct human consumption. Red palm oil is a major component of the diet of most Nigerians. Red palm oil and palm kernel oil also are refined into palm oil and vegetable oil, respectively for human consumption. Combined, these two accounts for more than 80 percent of domestic vegetable oil output. Industrial consumption of red palm oil and palm kernel oil in MY2004 is estimated at 180,000 tons and 50,000 tons, respectively. Industrial utilization includes: soap, detergent, baker's fat, margarine, etc. Soap manufacturers in the country are increasingly turning to imported tallow, because the price of palm oil and palm kernel oil are significantly above world market price levels. More than 85 percent of all palm kernel meal produced in Nigeria is exported to the EU because of low domestic demand by the animal feed industry. Producers of palm kernel meal are looking for U.S. importers of this inexpensive source of animal feed.

### Trade

Industry sources estimate Nigeria's total informal imports of red palm oil and palm oil in MY2004 at approximately 200,000 tons, up from the revised estimate of 126,000 tons a year

earlier. Additionally, about 50,000 tons of refined vegetable oil were imported during the same period (only about 10,000 tons of branded, consumer-ready vegetable oil entered the country legally). Estimates of the unofficial imports would have been much higher but for the GON's decision to allow imports of palm kernel duty-free from neighboring countries. Many importers reportedly circumvent the GON's import ban on bulk oil by declaring to local customs that their red palm oil imports as other industrial raw material. Such a categorization also offered a reduced duty payment to customs. Unofficial imports include shipments to other West African ports. Because of GON's ban on bulk vegetable oil imports, importers land their cargo in neighboring countries and then move them in through land borders.

PSD Table: Palm Kernel

Nigeria Oilseed, Palm Kernel							
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		10/2003		10/2004		10/2005	MM/YYYY
Area Planted	2710	2710	2710	2710	0	2710	(1000 HA)
Area Harvested	2630	2630	2630	2630	0	2630	(1000 HA)
Trees	281000	281000	281000	281000	0	281000	(1000 TREES)
Beginning Stocks	10	10	0	0	0	0	(1000 MT)
Production	360	600	370	650	0	700	(1000 MT)
MY Imports	7	7	0	30	0	40	(1000 MT)
MY Imp. from U.S.	0	0	0	0	0	0	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	377	617	370	680	0	740	(1000 MT)
MY Exports	0	0	0	0	0	0	(1000 MT)
MY Exp. to the EC	0	0	0	0	0	0	(1000 MT)
Crush Dom. Consumption	367	607	360	670	0	725	(1000 MT)
Food Use Dom. Consump.	0	0	0	0	0	0	(1000 MT)
Feed,Seed,Waste Dm.Cn.	10	10	10	10	0	15	(1000 MT)
TOTAL Dom. Consumption	377	617	370	680	0	740	(1000 MT)
Ending Stocks	0	0	0	0	0	0	(1000 MT)
TOTAL DISTRIBUTION	377	617	370	680	0	740	(1000 MT)
Calendar Year Imports	0	10	0	35	0	40	(1000 MT)
Calendar Yr Imp. U.S.	0	0	0	0	0	0	(1000 MT)
Calendar Year Exports	0	0	0	0	0	0	(1000 MT)
Calndr Yr Exp. to U.S.	0	0	0	0	0	0	(1000 MT)

## Price Table: Palm Kernel

# Prices Table

Country Nigeria

Commodity Oilseed, Palm Kernel

Prices in  per uom

Year	2003	2004	% Change
Jan	42,000	57,000	36%
Feb	41,000	48,000	17%
Mar	43,000	53,000	23%
Apr	52,000	49,000	-6%
May	51,000	45,000	-12%
Jun	46,000	44,000	-4%
Jul	48,000	42,000	-13%
Aug	54,000	49,000	-9%
Sep	60,000	50,000	-17%
Oct	58,000	48,000	-17%
Nov	60,000	49,000	-18%
Dec	60,000	48,000	-20%

Exchange Rate  Local Currency/US \$Date of Quote  MM/DD/YYYY



PSD Table: Palm Kernel Oil

Nigeria Oil, Palm Kernel							
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		10/2003		10/2004		10/2005	MM/YYYY
Crush	367	607	360	670	0	725	(1000 MT)
Extr. Rate, 999.9999	0.40327	0.403624	0.402778	0.402985	0	0.402778	(PERCENT)
Beginning Stocks	10	10	10	10	10	10	(1000 MT)
Production	148	245	145	270	0	290	(1000 MT)
MY Imports	0	40	0	50	0	50	(1000 MT)
MY Imp. from U.S.	0	0	0	0	0	0	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	158	295	155	330	10	350	(1000 MT)
MY Exports	0	0	0	0	0	0	(1000 MT)
MY Exp. to the EC	0	0	0	0	0	0	(1000 MT)
Industrial Dom. Consum	48	48	47	50	0	55	(1000 MT)
Food Use Dom. Consump.	100	237	98	270	0	285	(1000 MT)
Feed Waste Dom. Consum	0	0	0	0	0	0	(1000 MT)
TOTAL Dom. Consumption	148	285	145	320	0	340	(1000 MT)
Ending Stocks	10	10	10	10	0	10	(1000 MT)
TOTAL DISTRIBUTION	158	295	155	330	0	350	(1000 MT)
Calendar Year Imports	0	40	0	50	0	50	(1000 MT)
Calendar Yr Imp. U.S.	0	0	0	0	0	0	(1000 MT)
Calendar Year Exports	0	0	0	0	0	0	(1000 MT)
Calndr Yr Exp. to U.S.	0	0	0	0	0	0	(1000 MT)

## Price Table: Palm Kernel Oil

# Prices Table

**Country** Nigeria

**Commodity** Oil, Palm Kernel

 Prices in  per uom 

Year	2003	2004	% Change
Jan	112,000	156,000	39%
Feb	110,000	128,000	16%
Mar	117,000	135,000	15%
Apr	135,000	124,000	-8%
May	136,000	122,000	-10%
Jun	128,000	119,000	-7%
Jul	134,000	122,000	-9%
Aug	146,000	129,000	-12%
Sep	155,000	130,000	-16%
Oct	151,000	130,000	-14%
Nov	157,000	133,000	-15%
Dec	162,000	133,000	-18%

 Exchange Rate  Local Currency/US \$

 Date of Quote  MM/DD/YYYY

**Stocks**

Nigeria is a net importer of virtually all oilseed products; therefore stock levels are very low.

**Policy**

Beginning in 2001, the GON implemented an import ban on bulk vegetable oil to support local producers. Branded and consumer-ready vegetable oil products are allowed for imports at a duty rate of 65 percent.

**Marketing**

Marketing opportunities exist for U.S. exporters of inedible tallow, which is a close and preferred substitute for palm oil in soap manufacture. Demand for tallow is increasing due to GON's import ban on soap. Available U.S. export data show 30,000 tons of U.S. inedible tallow entered Nigeria in CY2004, down from 40,000 tons a year earlier. The major competitors for Nigeria's growing tallow market are Canada, EU and Australia. The GON's import duty on tallow is 15 percent. Market opportunities also exist for exporters of branded, consumer-ready vegetable oil products. A prominent Nigerian importer has distribution rights for branded U.S. "Butcher Boy", soybean oil. The importer is aggressively promoting this product under USDA's Market Access Program. The importer regularly participates in FAS Lagos food shows around the country.